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November 25, 2003

The Honorable Kate Hanley
Chairman, Fairfax County Board of Supervisors
Fairfax County Government Center
12000 Government Center Parkway, Suite 503
Fairfax, VA 22035

Subject: Response to Coalition for Smarter Growth

Dear Chairman Hanley:

Thank you for your interest in Fluor Daniel's proposal to construct High Occupancy Toll (HOT) lanes on the Beltway. I am writing to address the issues included in Stewart Schwartz, Executive Director of the Coalition for Smarter Growth's letter to the Board of Supervisors submitted to the Transportation Committee on Sunday, November 16, 2003.

Fluor's HOT lanes proposal is doable and affordable. It responds to community concerns. HOT lanes on the Beltway will reduce congestion, provide options for commuters and comply fully with the requirements of the federal EIS process.

As to Mr. Schwartz's specific concerns:

1. **Cost:** Fluor estimates that the construction cost of Beltway HOT lane project will be \$693.4 million. Fluor's concept costs 1/3 less than lowest cost EIS alternative – it virtually pays for itself with toll revenue and requires NO NEW TAXES. Instead, construction will be funded by a combination of toll revenue bonds and a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan accounting for 87 percent of the construction cost. Virginia and Fairfax County will have no general or moral obligation for these bonds and loans to be repaid with revenue from the tolls (variable from an estimated \$1 to \$4.80 for one and two passenger vehicles). Adjustments to the toll levels will be made to ensure sufficient revenue to repay the bonds and TIFIA loan and keep the HOT lanes congestion-free. The public investment in the project is estimated to be the remaining 13 percent. Fluor will develop,

at its own cost, a more detailed traffic and revenue model and revised plan of finance once we have signed a development agreement with the Virginia Department of Transportation (VDOT).

2. **Interchange design and cost:** Fluor's proposed Capital Beltway HOT lanes will have 7 access point, the beginning and end and 5 intermediate entry/exit points. Two of the intermediate points would involve direct ramp to ramp connections at I-66 and the Dulles Toll Road. The other three access points would be provided by breaks in the buffer. Given community concerns raised at the May 2002 VDOT hearings; Fluor's proposal stays largely within the existing right-of-way with a few small adjustments. As a result, as few as four, but no more than six, residences would be displaced. No business properties would be taken. If the HOT lane concept is advanced to the next Public Private Transportation Act (PPTA) phase, ideas like additional interchanges or changes in design can be examined by VDOT as part of the project development process. The development phase would be entirely at Fluor's risk and without any guarantee that the National Environmental Policy Act (NEPA) process or VDOT will approve the project.
3. **Transit:** The basic HOT lanes plan creates and funds the key infrastructure necessary to create and operate a separated roadway for express bus/Bus Rapid Transit (BRT) system for the Northern Virginia Beltway corridor.

Regional transit services, including Fairfax Connector and Metrobus, currently operate bus transit service in the corridor. The HOT lanes offer an opportunity for express service and for accelerating existing service between Fairfax neighborhoods and major activity centers around the region including Franconia/Springfield, the Pentagon, and Washington, DC. Given the advantages of using HOT lanes, e.g. reductions in travel time and avoidance of congestion, it is reasonable to assume many bus operators will reroute existing bus lines to take advantage of this new facility. Rerouting existing buses may reduce current operating costs or allow for more frequent service. Taking advantage of a free transit way to improve service for your customers just makes good business sense for the bus operators and provides a direct benefit for express bus operations. Fluor will work with area bus operators during the project development phase to maximize the HOT lanes' benefit to their current and future operations.

4. **Operation and maintenance costs:** The Coalition for Smarter Growth is correct in noting that operation and maintenance of the HOT lanes will be VDOT's responsibility. After we sign a development agreement with VDOT, Fluor will develop estimates of operation and maintenance costs for the HOT lanes. It's important to note VDOT will also own the HOT lanes facility. Fluor does not seek any ownership interest nor will Fluor receive any of the toll revenues. Fluor has developed this innovative proposal and will serve as the general contractor for the design, development and construction in a

manner that is consistent with any major road construction project. All of the financial and transportation benefits go to Virginia, Fairfax County and commuters.

5. **Non-compete clause:** In Deputy Secretary Homer's November 19th letter, in response to a similar question from Supervisor Kauffman, he answered this question as follows, and I quote: "Competing facility requirements are quite common in toll road financing, The Commonwealth would need to carefully consider any such proposal. At this time, the Commonwealth is unprepared to accept any limitations on bus or rail facilities in the corridor. The Commonwealth may consider a limitation on the widening of the mainline of the beltway if it could be shown to be in the long-term public interest. The process and terms of any competing facility requirement would be spelled out in a comprehensive agreement between the Department of Transportation and the private proposer." Fluor agrees with this position and will not seek limitations on safety and transit improvements in the Beltway corridor as part of any non-compete clause.
6. **Regional impact:** While a system-wide improvement to the Beltway is optimum, VDOT can make decisions only for roads in the Commonwealth. That being said, Fluor will certainly cooperate with the Maryland Department of Transportation (MDOT) if they express interest in creating a regional network of HOT lanes. In the long run, we believe HOT lanes will have a tremendous positive effect on long-distance commuting and regional development. HOT lanes on the Capitol Beltway in Northern Virginia will provide the "missing link" in the HOV/HOT network, connecting HOV lanes on I-95, I-66 and the Dulles Toll Road, creating a system for HOV3+, vanpools, and bus services to get people from their homes to job centers in Merrifield, Tysons Corner, and in the Dulles Corridor.
7. **Air quality and arterial road use:** A preliminary study conducted by the Council of Governments (COG) found that adding HOT lanes to the Beltway will result in a slight increase in Volatile Organic Compounds (VOC) and a moderate increase in oxides of nitrogen (NOx) emissions. COG also concluded that its estimates, "are conservative, i.e., likely to overestimate emissions." This is because the COG study did not account for emissions reductions associated with a decrease in cut through traffic on adjacent streets and the projected reduction in traffic on the main lines of the Beltway. Further, air quality issues will be fully addressed in the independent EIS analysis. However this and any EIS analysis is based on projections and assumptions. Actual scientific measurement of the I-15 HOT lanes in San Diego has indicated that they have lower negative air quality impacts than conventional HOV and general purpose lanes. These measurements were taken over a three year period. The study can be found on www.sandag.org. With the reduced congestion on the Beltway, as a result of HOT lanes, commuters and buses will be encouraged to use the Beltway, and thereby

reducing general and cut-through traffic on adjacent streets and in nearby neighborhoods. In addition, HOT lanes will encourage the re-routing of existing bus service from arterial roads to the Beltway.

Mr. Schwartz's letter also raised the need for HOT lanes alternatives to be considered, specifically the "add one lane/take one lane", and the FAIR lanes concepts. The "add one lane/take one lane" concept calls for VDOT to build one HOT lane while taking an existing lane from the Beltway, creating two HOT lanes. The impact of this alternative would be to reduce the general purpose lanes from four to three. Consideration of additional alternatives is the responsibility of VDOT, but we believe that any option that denies the use of one of the existing Beltway lanes would be unacceptable to the driving public and not politically feasible.

As we understand it, the FAIR lanes concept involves compensating non-HOT lanes users with credits that could be used as toll payments for HOT lanes or transit use. This concept is not appropriate for the Beltway since the toll revenue does not cover the entire construction cost, leaving no surplus revenue to re-distribute as credits. Once the bonds and loans are retired, FAIR lanes could become a viable option.

As discussed in my presentation to the transportation committee, Fluor's HOT lanes proposal addresses the concerns presented at public hearings on the Beltway Draft Environmental Impact Statements (DEIS) last spring. First and foremost among these concerns was the displacement of private property. The original 2002 EIS alternatives identified more than 300 homes and businesses that would have been displaced. As mentioned above, Fluor's proposal stays largely within the existing right-of-way with a few small adjustments. This and other concerns will be subject to further public comment as part of the five ongoing independent review processes that Pierce Homer, Deputy Secretary of VDOT, outlined in his presentation to the board on November 17, which include:

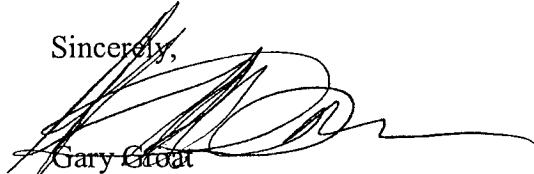
- PPTA Advisory Panel and Public Comment
- Transportation Planning Board Citizen Advisory Committee and Public Comment
- Final Environmental Impact Statement and Public Comment
- Constrained Long Range Plan and Public Comment
- Federal Highway Administration (FHWA) Value Pricing Study and Public Comment

In closing, I would like to take a minute to review Fluor's commitment to Virginia, Fairfax County and commuters. If selected, we will negotiate and sign a fixed price contract with VDOT and guarantee on-time delivery, no cost overruns with liquidated damages if the project is late – even one day. We are committed to continuing an open dialog with Fairfax County supervisors and citizens during planning, construction and operational phases, including fair, equitable and honest dealings.

Thank you for this opportunity to respond to the concerns raised by the Coalition for Smarter Growth. We hope the Board of Supervisors will lend its support to the development agreement between Fluor and VDOT. Once the development agreement is signed, Fluor will commit, at our risk, the additional resources needed to complete additional studies on the HOT lanes proposal. The development agreement is one of five separate processes that together provide many opportunities for board and citizen comment.

We look forward to working with the board, civic and homeowner associations, community groups and the Coalition for Smarter Growth to move this important transportation initiative forward.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gary Groat', with a long horizontal flourish extending to the right.

Gary Groat
Director, Project Development
Fluor Daniel

cc: Fairfax County Board of Supervisors
Young Ho Chang, Director, Fairfax County Department of Transportation
Pierce Homer, Deputy Secretary, Virginia Department of Transportation
Stewart Schwartz, Executive Director, Coalition for Smarter Growth